



The Commonwealth of Massachusetts
Executive Office of Health and Human Services
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MEMORANDUM

To: Interested Parties

From: Nora Mann, Director, Determination of Need Program

Subject: Annual Adjustments to Determination of Need (DoN) Expenditure Minimums

Date: January 27, 2017

Each year, pursuant to M.G.L. c.111, § 25B½, the DoN Program issues an informational bulletin on annual adjustments to the DoN expenditure minimums to adjust the Substantial Capital Expenditure dollar amount for inflation.

Section 25B½ specifies the use of an inflation index established by the U.S. Department of Health and Human Services. In place of a federal index such as the Consumer Price Index, the DoN Program has historically performed annual adjustments to DoN expenditure minimums using Marshall & Swift indices for capital expenditures involving construction and equipment. These indices are the basis for the adjustment of expenditure minimums for the period from October 1, 2016 through September 30, 2017.

Effective October 1, 2016, DoN expenditure minimums are adjusted as shown below. The adjustment factors used to update the expenditure minimums are provided in Attachment 1.

Please direct any questions or comments about this memorandum to the Determination of Need Program at dph.don@state.ma.us.

Minimum Capital Expenditure Requiring Determination of Need

Project Type	Previous Year 30-Sep-2015	Effective 30-Sep-2016
Medical, diagnostic, or therapeutic equipment acquired for location other than on the premises of a hospital, long term care facility, or clinic (105 CMR 100.240)	\$264,063	\$267,591
Equipment for long term care facilities and clinics	\$950,935	\$963,640
Total capital expenditure (including equipment) for long term care facilities and clinics	\$1,901,869	\$1,927,279
Capital expenditure (excluding major movable equipment) for hospitals and comprehensive cancer centers	\$17,826,988	\$18,065,167
Outpatient service expenditures and acquisitions other than new technology or innovative services	\$29,076,449	\$29,464,928

Attachment 1

Annual Inflation Factors Applied To Adjust DoN Expenditure Minimums

Building Cost Index (Marshall & Swift)¹:

	Oct-15	Oct-16
Basis for Eastern Region	\$3,105.7	\$3,094.3
Massachusetts multiplier	1.17	1.19

$$\frac{3094.3}{3105.7} \times \frac{1.19}{1.17} = 1.01336$$

¹ Marshall & Swift Current Cost Multipliers, October 2016